



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CALLOWAY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CALLOWAY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Calloway County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$711,014 from the prior fiscal year, resulting in a cash surplus of \$2,712,235 as of June 30, 2000. Revenues increased by \$331,519 from the prior year and disbursements decreased by \$319,714.

Debt Obligations:

Total bonded debt principal outstanding as of June 30, 2000, was \$8,285,000. Future collections of \$11,896,662 are needed over the next 18 years to pay all bonded debt principal and interest.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities and bonds. One of the three banks involved did not have a written collateral security agreement.

Audit Comments:

- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- All Expenditures Should Have Adequate Supporting Documentation
- The County Should Have A Written Agreement To Protect Deposits

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry Elkins, Calloway County Judge/Executive
Members of the Calloway County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Calloway County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Calloway County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Calloway County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000, of Calloway County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
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Members of the Calloway County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2001 on our consideration of Calloway County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- All Expenditures Should Have Adequate Supporting Documentation
- The County Should Have A Written Agreement To Protect Deposits

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Calloway County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 27, 2001

CALLOWAY COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Larry Elkins	County Judge/Executive
Gerald Duncan	Magistrate
Steve Lax	Magistrate
Johnny Gingles	Magistrate
Marsha Brandon	Magistrate

Other Elected Officials:

Randall A. Hutchens	County Attorney
Phil Hazle	Jailer
Ray Coursey, Jr.	County Clerk
Ann Wilson	Circuit Court Clerk
Stan Scott	Sheriff
Ronnie Jackson	Property Valuation Administrator
Dwain Jones	Coroner

Appointed Personnel:

Sue Outland	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CALLOWAY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 565,159	
Loans Receivable (Note 4)	71,581	
Road and Bridge Fund:		
Cash	7,901	
Jail Fund:		
Cash	59,264	
Juvenile Justice Grant Fund:		
Cash	4,635	
Payroll Revolving Account - Cash	500	\$ 709,040

Capital Projects Fund Type

Jail Grant Fund:

Cash	\$ 500,122	
Jail Construction Fund:		
Cash	551,724	1,051,846

Debt Service Fund Type

Public Properties Corporation Fund:

Cash	1,023,430
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Other Financing Resources

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal Payments (Note 5)	7,261,570
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Total Assets and Other Resources	\$ 10,045,886
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The accompanying notes are an integral part of the financial statements.

CALLOWAY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

Deferred Revenue - Sheriff's Loans (Note 4)	\$	71,581	
Payroll Revolving Account - Amounts Due Others		<u>500</u>	\$ 72,081

Debt Service Fund Type

Public Properties Corporation Fund:			
Bonds Not Matured (Note 5)			8,285,000

Reserved Fund Balances:

Capital Projects Fund Type

Jail Grant Fund:	\$	500,122	
Jail Construction Fund:		<u>551,724</u>	1,051,846

Unreserved Fund Balances:

General Fund Type

General Fund	\$	565,159	
Road and Bridge Fund		7,901	
Jail Fund		59,264	
Juvenile Justice Grant Fund		<u>4,635</u>	636,959

Total Liabilities and Fund Balances			<u>\$ 10,045,886</u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CALLOWAY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 5,822,438	\$ 2,385,347	\$ 1,326,061	\$ 964,438
Transfers In	857,952		275,000	150,000
Kentucky State Treasurer - Administrative Office of the Courts	497,718			
Public Properties Corporation Income	68,836			
Total Cash Receipts	<u>\$ 7,246,944</u>	<u>\$ 2,385,347</u>	<u>\$ 1,601,061</u>	<u>\$ 1,114,438</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,939,748	\$ 2,101,715	\$ 1,651,030	\$ 1,124,510
Transfers Out	857,952	275,000		
Detention Center Construction	53			
Judicial Center Construction	652			
Bonds:				
Principal Paid	290,000			
Interest Paid	447,525			
Total Cash Disbursements	<u>\$ 6,535,930</u>	<u>\$ 2,376,715</u>	<u>\$ 1,651,030</u>	<u>\$ 1,124,510</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 711,014	\$ 8,632	\$ (49,969)	\$ (10,072)
Cash Balance - July 1, 1999	<u>2,001,221</u>	<u>556,527</u>	<u>57,870</u>	<u>69,336</u>
Cash Balance - June 30, 2000	<u>\$ 2,712,235</u>	<u>\$ 565,159</u>	<u>\$ 7,901</u>	<u>\$ 59,264</u>

The accompanying notes are an integral part of the financial statements.

CALLOWAY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Type		Capital Projects Fund Type		Debt Service Fund Type
Local Government Economic Assistance Fund	Juvenile Justice Grant Fund	Jail Grant Fund	Jail Construction Fund	Public Properties Corporation Fund
\$ 6,157	\$ 35,339	\$ 175,619	\$ 929,477	\$ 432,952
				497,718
				68,836
<u>\$ 6,157</u>	<u>\$ 35,339</u>	<u>\$ 175,619</u>	<u>\$ 929,477</u>	<u>\$ 999,506</u>
\$ 17,046	\$ 30,704	\$	\$ 14,743	\$
			582,952	
				53
				652
				290,000
				447,525
<u>\$ 17,046</u>	<u>\$ 30,704</u>	<u>\$</u>	<u>\$ 597,695</u>	<u>\$ 738,230</u>
\$ (10,889)	\$ 4,635	\$ 175,619	\$ 331,782	\$ 261,276
10,889		324,503	219,942	762,154
<u>\$ 0</u>	<u>\$ 4,635</u>	<u>\$ 500,122</u>	<u>\$ 551,724</u>	<u>\$ 1,023,430</u>

The accompanying notes are an integral part of the financial statements.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Calloway County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Fund as part of the reporting entity.

Additional - Calloway County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Calloway County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of Calloway County Fiscal Court's Fund Types, a definition of each, and a list of county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Calloway County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Juvenile Justice Grant Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Community Development Block Grant Fund of the Fiscal Court is reported as a Special Revenue Fund Type. There was no activity in the Community Development Block Grant Fund during this fiscal year.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

3) Capital Projects Fund Type

Capital Project Funds Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Grant Fund and Jail Construction Fund of the Fiscal Court are reported as Capital Projects Fund Types.

4) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Calloway County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the Capital Project Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Calloway County Fiscal Court:

Calloway County Water District #2	Almo-Dexter Fire District
Calloway County Water District #3	Faxon Fire District
Almo-Dexter Water District	Calloway County Fire District #2
641 South Water District	Calloway County Fire District #5
Calloway County Extension District	Calloway County Fire District #6
Calloway County Library District	

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered joint ventures of Calloway County Fiscal Court:

Murray-Calloway County Park	Murray-Calloway County Airport
Murray-Calloway County Hospital	Murray-Calloway County Transit Authority

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institutions have pledged or provided sufficient collateral, and the depository institutions' board of directors or loan committee approved the pledge or provision. However, one depository institution did not have a written agreement with the county securing the county's interest in the collateral, leaving an amount at risk of \$96,099.

Note 4. Receivables

A. Loan #1

As of June 15, 1999, the Calloway County Sheriff owed Fiscal Court \$56,775 for monies advanced in previous years to operate the Sheriff's Office. On this same date, an agreement between the Sheriff and Fiscal Court was reached stipulating a 4-year repayment schedule of \$14,194 a year beginning with calendar year 1999. This loan was non-interest bearing. As of June 30, 2000, \$14,194 had been paid leaving a balance of \$42,581.

B. Loan #2

Calloway County also loaned \$60,000 to the Calloway County Sheriff during the fiscal year 2000 as advancements to operate the Sheriff's Office. This loan was non-interest bearing. During the fiscal year 2000, the sheriff repaid \$31,000 leaving a balance due of \$29,000 as of June 30, 2000. An agreement reached on March 6, 2000, between the Fiscal Court and the Sheriff, stated that the Fiscal Court will consider how and whether these funds will be reimbursed.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

The total balance due the fiscal court as of June 30, 2000 was \$71,581.

Note 5. Long-Term Debt

A. Public Properties Corporation – County Detention Facilities

On November 14, 1996, the county authorized the Public Properties Corporation to issue up to \$4,670,000 of Revenue Bonds, Series 1996. These bonds were issued to retire Revenue Bond Anticipation Notes, Series 1995, dated July 1, 1995 and to provide long-term financing for the County Detention Facilities.

County Detention Facilities:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2000-2001	\$ 155,000	\$ 215,280
2001-2002	165,000	207,220
2002-2003	175,000	198,640
2003-2004	185,000	189,540
2004-Thereafter	<u>3,460,000</u>	<u>1,386,060</u>
Totals	<u>\$ 4,140,000</u>	<u>\$ 2,196,740</u>

B. Public Properties Corporation – Court Annex Facility

On March 13, 1997, the County authorized the Public Properties Corporation to issue up to \$4,640,000 of Revenue Bonds, Series 1997, to provide funding for the construction and equipment for the Court Annex Facility.

Court Annex Facilities:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2000-2001	\$ 145,000	\$ 217,795
2001-2002	150,000	210,908
2002-2003	160,000	203,783
2003-2004	170,000	196,183
2004-Thereafter	<u>3,520,000</u>	<u>1,609,683</u>
Totals	<u>\$ 4,145,000</u>	<u>\$ 2,438,352</u>

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 6. Commitments and Contingencies

A. City of Murray and Calloway County Hospital Lease

The City of Murray and Calloway County are participating in a one-year lease with the Murray-Calloway County Public Hospital Corporation for expansion of the Murray-Calloway County Hospital and to refinance certain obligations of the hospital's nursing home. The City of Murray and Calloway County sublease the hospital and nursing home to the Murray-Calloway County Public Hospital Corporation for yearly rental payments equal to the annual requirements of the \$6,675,000 of mortgage bonds originally issued for the hospital and nursing home project in June, 1992. The lease between the Corporation and the City of Murray and Calloway County is renewable annually. In case of default by the Corporation, the City and county are each liable for fifty percent of the bond debt requirement. If the City is unable to provide its share of the bond debt requirement, the county is then responsible for the full amount for that year.

The principal balance as of June 30, 2000 was \$6,210,000. Contingent debt service requirements subsequent to fiscal year ending June 30, 2000 are:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2000-2001	\$ 235,000	\$ 381,333
2001-2002	295,000	366,006
2002-2003	365,000	346,428
2003-2004	740,000	313,093
2004-Thereafter	4,575,000	935,061
Totals	<u>\$ 6,210,000</u>	<u>\$ 2,341,921</u>

B. Pending Litigation

Calloway County has pending litigation stipulating that the county jail was not adequately equipped for prisoners with disabilities. The plaintiff fell during his brief incarceration and is seeking "compensatory and punitive damages". The likelihood of an unfavorable outcome is "impossible to assess" at this time.

Note 7. Insurance

For the fiscal year ended June 30, 2000, Calloway County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 8. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

The Calloway County Jail Canteen Fund had a beginning balance of \$15,961 on July 1, 1999. During the fiscal year, the Jail Canteen had receipts of \$184,668 and expenditures of \$165,185, leaving a balance of \$35,444 as of June 30, 2000. All expenditures were for the benefit and/or recreation of the inmates.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CALLOWAY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,231,805	\$ 2,385,347	\$ 153,542
Road and Bridge Fund	1,391,135	1,326,061	(65,074)
Jail Fund	645,594	964,438	318,844
Local Government Economic Assistance Fund	14,000	6,157	(7,843)
Juvenile Justice Grant Fund	50,721	35,339	(15,382)
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	20,000		(20,000)
<u>Capital Projects Fund Type</u>			
Jail Grant Fund	163,065	175,619	12,554
Jail Construction Fund	804,900	929,477	124,577
Totals	<u>\$ 5,321,220</u>	<u>\$ 5,822,438</u>	<u>\$ 501,218</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,321,220
Add: Budgeted Prior Year Surplus			1,055,000
Less: Other Financing Uses			
Transfers To Public Properties Corporation			<u>(433,803)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 5,942,417</u>

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SCHEDULE OF OPERATING REVENUE

CALLOWAY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Capital Projects Fund Type
REVENUE:			
Taxes	\$ 2,649,814	\$ 1,588,838	\$ 1,060,976
In Lieu Tax Payments	128,685	128,685	
Excess Fees	219,059	219,059	
License and Permits	34,909	34,909	
Intergovernmental Revenues	2,313,446	2,310,339	3,107
Charges for Services	54,472	54,472	
Miscellaneous Revenues	340,302	340,302	
Interest Earned	81,751	40,738	41,013
Total Operating Revenue	<u>\$ 5,822,438</u>	<u>\$ 4,717,342</u>	<u>\$ 1,105,096</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CALLOWAY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

GENERAL FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,199,393	\$ 1,167,065	\$ 32,328
Protection to Persons and Property	1,090,005	1,033,771	56,234
General Health and Sanitation	155,330	103,776	51,554
Social Services	31,575	62,011	(30,436)
Recreation and Culture	103,500	103,500	
Roads	1,434,065	1,283,646	150,419
Debt Service	71,107		71,107
Capital Projects	403,614	376,090	27,524
Administration	856,059	795,146	60,913
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 5,344,648</u>	<u>\$ 4,925,005</u>	<u>\$ 419,643</u>
SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	\$ 20,000	\$	\$ 20,000
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 20,000</u>	<u>\$ 0</u>	<u>\$ 20,000</u>

CALLOWAY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	CAPITAL PROJECTS FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	\$ 500,808	\$ 14,743	\$ 486,065
Administration	76,961		76,961
Total Operating Budget - Capital Projects Fund Types	\$ 577,769	\$ 14,743	\$ 563,026
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund-			
Principal	150,000	150,000	
Interest	283,803	282,952	851
TOTAL BUDGET - CAPITAL PROJECTS FUND TYPE	<u>\$ 1,011,572</u>	<u>\$ 447,695</u>	<u>\$ 563,877</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Elkins, Calloway County Judge/Executive

Members of the Calloway County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Calloway County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated April 27, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Calloway County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- All Expenditures Should Have Adequate Supporting Documentation
- The County Should Have A Written Agreement To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calloway County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Calloway County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying comments and recommendations.

- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- All Expenditures Should Have Adequate Supporting Documentation

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 27, 2001

COMMENTS AND RECOMMENDATIONS

CALLOWAY COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

NONCOMPLIANCES:

1) All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

All claims should be presented to the fiscal court for review prior to payment. Based on the test of expenditures, payments from the General, Road, Jail, LGEA, Juvenile Justice, and the Jail Construction Funds were not approved by the fiscal court. KRS 68.275 requires the county judge/executive to present all claims to the fiscal court for review prior to payment. We recommend the fiscal court members take a more active role by reviewing all claims prior to payment.

County Judge/Executive:

We have made every effort to comply and will continue to make an effort to comply.

2) All Expenditures Should Have Adequate Supporting Documentation

According to KRS 68.210 and the Uniform System of Accounts administered by the State Local Finance Officer, all expenditures are to have adequate supporting documentation. During our testing, we noted some expenditures in the General and Road Funds did not comply with this requirement. We recommend compliance in the future.

County Judge/Executive:

We will review expenditures and comply.

3) The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of June 30, 2000, the county had bank deposits of \$1,806,185; FDIC insurance of \$300,000; and collateral pledged or provided of \$6,227,081. Even though the county obtained sufficient collateral of \$6,227,081, there was no written agreement between the county and one of the depository institutions, signed by both parties, securing the county's interest in the collateral. We recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive:

Will secure written collateral security agreement with Murray Bank.

CALLOWAY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2000
(Continued)

REPORTABLE CONDITION:

The reportable condition is fully described in the noncompliance section above.

- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- All Expenditures Should Have Adequate Supporting Documentation

PRIOR YEAR FINDINGS

Two prior year findings were corrected: (1) budget amendments should be utilized and (2) proper clothing should be provided prisoners through the county's Jail Fund. The fiscal court did not correct the following finding and it is repeated above.

- All Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CALLOWAY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A

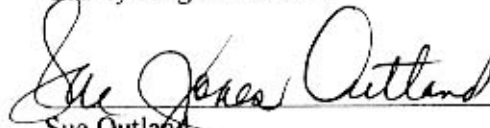
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CALLOWAY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Calloway County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Larry Elkins
County Judge/Executive



Sue Outland
County Treasurer